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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

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STAFF MEMORANDUM No. 68-55 *

SUBJECT: The Short-term Outlook for Argentina

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1. The rebel forces which ousted Peron are still consolidating their position, so the pattern of the new Argentine government is not yet clear. Political power now rests in the hands of an anti-Peronista military junta. Major General Eduardo Lonardi, a compromise selection by the junta's army and navy factions, heads the caretaker government. Neither Lonardi, his military supporters, nor his predominantly civilian cabinet can be clearly identified with any political party, but it is clear from the personalities involved and the policies thus far expounded that the present regime represents a shift to the right in Argentine politics, from a government dependent on and supported by labor to a more bourgeois type of regime.

2. The junta's immediate problem is to achieve and maintain political stability. Though Lonardi has shown considerable skill in solidifying his position by ousting the Peronista military and political leaders, granting amnesty to political prisoners, and promising to hold free elections as soon as possible, it is not at all certain that he will continue to head the government. Within the junta his position is threatened by interservice rivalries and by lack of unity over policies and appointments. As long as Lonardi remains Provisional President, Argentina will probably continue to make progress towards the restoration of domestic tranquility and political liberty. Should he fall, however, the army would probably assume direct control and halt these trends. In the unlikely event that military control collapses as a result of factionalism within the junta, civil war and even the return of Peron are possibilities.

* This memorandum has been coordinated with OCI.

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3. The greatest potential source of trouble for the junta is the powerful General Confederation of Labor (CGT), which was Peron's principal political prop. Lonardi has made a bid for labor support by promising to honor all social benefits and collective bargaining agreements, to respect union rights, and to take no "executive action" towards depriving the CGT of control of the newspaper LA PRENSA, confiscated by the Peron regime in 1951 and made the official organ of the CGT. Despite such concessions, the CGT has made no announcement of allegiance to the new regime. Regardless of whether Lonardi continues to head the government, we believe the military will be capable of suppressing any serious labor opposition.

4. Inasmuch as the return to political normalcy will be a long and difficult process, Argentina faces government by a military junta for a protracted period. Lonardi's promise to hold elections within six or eight months appears unrealistic and unattainable in the light of the presently disorganized political situation. First the junta must face the task of dismantling the Peronista party, which won 63 percent of the vote in the 1951 elections and 68 percent in 1954. The only anti-Peronista party of any numerical consequence is the Radical Civic Union, a middle class, nationalistic party which polled about 30 percent of the vote in the last election, but which is badly split and has thus far shown little talent for improvising either parties or coalitions. Though the Radical party will probably play an important role when Argentina returns to constitutional government, we believe it will be more than a year before free elections can be held. The junta is currently divided on the elections problem; the army wants to wait at least a year and a half while the navy demands elections within six months.

5. The present regime, dominated by devout Catholics, hopes to settle the church problem by getting a Concordat with the Vatican. Peron's anti-church policies may be replaced with equally extreme pro-church policies. If this should happen, the government would alienate segments of the Radical party as well as the anti-clerical Socialist party and thus make the return to constitutional government more difficult than ever. While there have been recent indications of the emergence of a Christian Democratic movement such a prospect is at best a long range possibility.

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6. Lonardi has expressed his concern over the problem of Communism and has indicated that his government will not be soft on this issue. The Argentine Communist Party can be expected to oppose the present government, but it is not likely that it will be able to play a determining role in Argentine politics during the next six months. The Communists, however, will probably take advantage of any opportunity to aggravate a crisis situation.

7. The regime faces serious economic problems. Export earnings have been insufficient to finance imports essential to meet current needs and economic development projects. Difficulties in marketing farm products have led Argentina to expand trade with the Sino-Soviet Bloc which thus far has been unable to provide the various types of equipment needed. The junta allowed the Standard Oil of California contract to lapse and has given indications that it might pursue a policy of economic nationalism. Economic realities, however, may force the Argentine government to welcome foreign capital. If the balance of payments problem deteriorates further, the Lonardi government will probably seek economic assistance from the US government. The government can be expected to resist the adoption of any measures likely to have serious inflationary results.

8. Lonardi has expressed a willingness to maintain friendly relations with the United States. However, the presence of strong nationalists in key government positions and the possibility that the anti-US Radical party will have increasing influence in Argentine politics makes it probable that the present Argentine government will be less willing to follow the United States lead in promoting hemispheric solidarity and cooperation. It appears unlikely that the present government will continue to pursue pre-revolt Argentine overtures for a Military Defense Assistance Pact. Though Argentina will probably continue to support the US on important political questions on which the US and the USSR are opposed, she will be less likely to cooperate on international economic problems.

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